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# Washington Suburban Sanitary Commission

## MISSION STATEMENT

The Washington Suburban Sanitary Commission (WSSC) is a bi-county governmental agency established in 1918 by an act of the Maryland General Assembly. It is charged with the responsibility of providing water and sanitary sewer service within the Washington Suburban Sanitary District which includes most of Montgomery and Prince George's Counties. In Montgomery County, the Town of Poolesville and portions of the City of Rockville are outside of the District.

## WSSC PROPOSED BUDGET

The WSSC proposed budget is not detailed in this document. The WSSC budget may be obtained from WSSC's Budget Group at the Headquarters Building, 14501 Sweitzer Lane, Laurel, Maryland 20707, phone 301.206.8110 or from their website at [www.wsscwater.com](http://www.wsscwater.com).

Prior to January 15 of each year, the Commission prepares preliminary proposed capital and operating budgets for the next fiscal year. On or before February 15, the Commission conducts a public hearing. The Commission then prepares and submits the proposed capital and operating budgets to the County Executives of Montgomery and Prince George's Counties by March 1.

By March 15 of each year, the County Executives of Montgomery and Prince George's Counties are required by law to transmit the proposed budgets, recommendations on the proposed budgets, and the record of the public hearing held by WSSC to their respective County Councils.

Each County Council may hold public hearings on the proposed budgets of WSSC, but no earlier than 21 days after receipt from the County Executive. Each County Council may add to, delete from, increase, or decrease any item in either budget. Additionally, each County Council is required by law to transmit by May 15 any proposed changes to the other County Council for review and concurrence. The failure of both Councils to concur on changes constitutes approval of the item as originally proposed by WSSC. Should the County Councils fail to approve the budgets on or before June 1 of each year, the proposed budgets of WSSC are adopted.

## ***Spending Affordability Guidelines***

In October 2003, the Councils approved FY05 Spending Affordability Guidelines (SAG) for WSSC. The SAG process requires the Counties to set annual ceilings on WSSC's water and sewer rates and debt (both bonded indebtedness and debt service), and then adopt corresponding limits on the size of the capital and operating budgets. As required by Council resolution, both Councils must agree on guidelines by November of each year. The two Councils must not approve

capital and operating budgets in excess of the approved spending control limits unless a majority of each Council votes to approve them. If the two Councils cannot agree on expenditures above the spending control limits, they must approve budgets within these limits.

The table below shows WSSC proposed Spending Affordability Guidelines for FY05 compared to the WSSC proposed budget and the County Executive's recommendations. A limit of three percent was adopted by the two Councils as an appropriate ceiling for the FY05 water and sewer rate change. This is the first year WSSC's proposal includes a rate increase after six consecutive years with no increase in water and sewer rates. The table indicates a \$2.2 million difference between the SAG approved ceiling for water and sewer operating expenses and WSSC's proposal due to work associated with Bolling Air Force Base.

<b>Spending Affordability Guideline Comparison</b>			
<b>\$ in millions</b>	<b>SAG</b>	<b>WSSC</b>	<b>CE</b>
Water/Sewer bill increase	3.0%	3.0%	3.0%
New debt*	\$111.5	\$111.5	\$111.5
Debt Service (d.s.)	\$145.3	\$145.3	\$145.5
Water/Sewer Op. Exp. (inc. d.s.)	\$388.8	\$391.0	\$391.2
* New debt includes a system completion factor of 80%			

The County Executive recognizes that WSSC's FY05 Operating Budget proposal is slightly above the Spending Affordability Guidelines.

## Workforce Reductions

In April 1996, WSSC proposed a four-year plan to reduce 56 workyears by FY00 through implementation of a Competitive Action Program (CAP) which would result in more competitive work practices. Since FY96, WSSC has reduced 657 authorized workyears through FY04, and is proposing to maintain workyears in FY05 at the FY04 approved level of 1,463.

WSSC anticipates further workyear reductions in future years as CAP continues through the Implementation Phase, but on a significantly smaller scale. WSSC has expressed a commitment to continue operations despite these reductions, without sacrificing quality, service, or employee safety and intends to improve competitiveness through reorganization, reengineering of processes, use of technology, and implementation of industry "Best Practices."

The County Executive supports WSSC's initiatives to become more competitive through implementation of CAP practices, and commends WSSC's accomplishments made through the CAP program.

## Strategic Fiscal Plan

During the FY01 budget process, for the first time, WSSC formally adopted a multi-year fiscal plan for FY01-05. In June of 2003, the Commission revisited the fiscal plan and adopted a new plan for FY04-FY09. The primary policy goals of the updated plan are to: stabilize water and sewer rates when fiscally possible; use excess fund balance for PAYGO to reduce

overall debt and debt service when available; reduce the Commission's work force in line with the competitive gap reassessment results; increase water and sewer operating reserves; and fund security improvements and increased regulatory compliance requirements.

The County Executive supports the stated primary policy goals of the plans and applauds WSSC's long-range fiscal planning effort.

## FY05 COUNTY EXECUTIVE RECOMMENDATIONS

### Capital Budget

#### Executive's Budget Recommendations - Expenditures

Increase Capital Expenditures (\$3.2 million): In January 2004, the County Executive's recommendations on WSSC's FY05-10 Capital Improvements Program (CIP) included an adjustment to the Blue Plains Advanced Wastewater Treatment Plant (WWTP) CIP project estimates to align with amounts proposed by the District of Columbia's Water and Sewer Authority (WASA). The magnitude of the recommended change for FY05 is an increase in capital expenditure estimates of \$3.2 million. WSSC concurs with this recommendation.

### Operating Budget

#### Executive's Budget Recommendations - Expenditures

Increase Debt Service (\$214,000): The FY05 WSSC Operating Budget is influenced, in part, by the level of expenditures authorized in the first year of the FY05-10 CIP and other expenditures in the WSSC Capital Budget. The operating budget includes expenditures for debt service on bonds that finance the construction of CIP projects, lateral water and sewer lines (which carry water or wastewater to and from a dwelling or business), and other capital projects.

Due to the FY05 recommended increase of \$3.2 million in the capital budget for the Blue Plains Advanced Wastewater Treatment Plant projects, the County Executive recommends a related increase in debt service of \$214,000. The County Executive recognizes that WSSC has sufficient fund balance to cover this additional expense in FY05. Approximately 77.5 percent (\$2.5 million) of the FY05 recommended increase in Blue Plains Advanced Wastewater Treatment Plant CIP (\$3.2 million) is funded by water and sewer rate-supported debt.

The County Executive believes that available opportunities to limit overall debt and debt service through the allocation of additional amounts of current revenue and/or fund balance to PAYGO should continue to be pursued.

#### Executive's Budget Recommendations - Summary

The County Executive's recommendation on the Capital Budget

results in an increase in capital expenditures of \$3.2 million financed primarily through debt.

The County Executive's recommendations on the Operating Budget results in an increase of expenditures. A increase of \$214,000 in debt service is recommended due to the estimated CIP expenditures for Blue Plains Advanced Wastewater Treatment Plant projects. Fiscal projections are shown below.

<b>Expenditure by Category - Executive Recommended FY05</b>							
	WSSC	WSSC	WSSC	CE	CE	CE	% Chg.
	Total	Total	Total	Capital	Operating	Total	
	Actual	Approved	Proposed	Rec.	Rec.	Rec.	Req./
	FY03	FY04	FY05	FY05	FY05	FY05	Rec.
<b>Expenditure Categories</b>							
Salaries and Wages	89,706	90,164	93,544	18,178	75,366	93,544	0.0%
Heat, Light, & Power	10,763	12,016	14,542	0	14,542	14,542	0.0%
Sewage Disposal	33,247	33,990	35,010	0	35,010	35,010	0.0%
Contract Work	42,410	101,391	107,955	111,169	0	111,169	3.0%
Consulting Engineers	5,972	14,646	16,422	16,422	0	16,422	0.0%
All Other	208,638	188,628	205,054	82,951	122,103	205,054	0.0%
Debt Service	199,177	218,200	218,356	124	218,446	218,570	0.1%
<b>Total Budget</b>	<b>589,913</b>	<b>659,035</b>	<b>690,883</b>	<b>228,844</b>	<b>465,467</b>	<b>694,311</b>	<b>0.5%</b>
Note: Expenditures include water, sewer, and interest and sinking funds							

## PROGRAM CONTACTS

Contact Sheila Cohen of the Washington Suburban Sanitary Commission at 301.206.8167 or Jennifer R. Bryant of the Office of Management and Budget at 240.777.2761 for more information regarding this agency's capital and operating budgets.

**WSSC RECOMMENDED: FORECAST FOR WATER & SEWER OPERATING FUNDS**

<b>FISCAL PROJECTIONS</b>	<b>FY04 APP'D</b>	<b>FY04 EST.</b>	<b>FY05 REQ.</b>	<b>FY05 RECOM'D</b>	<b>FY06 EST.</b>	<b>FY07 EST.</b>	<b>FY08 EST.</b>	<b>FY09 EST.</b>	<b>FY10 EST.</b>
<b>ASSUMPTIONS (\$-millions)</b>									
New Water/Sewer Debt	\$121.5	\$121.5	\$111.5	\$111.5	\$137.5	\$151.8	\$104.1	\$82.7	\$61.3
Total Water/Sewer Operating Expenses	\$370.9	\$370.9	\$391.0	\$391.2	\$402.0	\$411.0	\$409.1	\$417.4	\$424.3
Debt Service	\$141.7	\$141.7	\$145.3	\$145.5	\$155.7	\$162.0	\$160.9	\$162.7	\$160.6
Total Water/Sewer Bill Increase	0.0%	0.0%	3.0%	3.0%	3.0%	0.0%	0.0%	1.7%	1.2%
<b>REVENUES</b>									
Water & Sewer Rate Revenue	317,024	309,433	320,014	320,014	331,590	343,581	345,615	347,649	355,542
Interest Income	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Account Maintenance Fee (Service Chg)	21,500	21,500	21,800	21,800	22,100	22,400	22,700	23,000	23,300
Miscellaneous	17,800	17,800	21,560	21,560	23,160	23,460	25,060	25,360	25,660
<b>Total Revenues</b>	<b>359,824</b>	<b>352,233</b>	<b>366,874</b>	<b>366,874</b>	<b>380,350</b>	<b>392,941</b>	<b>396,875</b>	<b>399,509</b>	<b>408,002</b>
SDC Debt Service Offset	3,102	3,102	3,002	3,002	2,905	2,809	2,710	2,611	2,512
Reconstruction Debt Service Offset	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
Use of Prior Year Net Revenue	0	0	8,500	8,500	6,524	7,230	1,500	1,500	1,500
Less Rate Stabilization	0	0	(5,024)	(5,024)	(5,730)	0	0	0	0
Water/Sewer Bill Adjust.	0	0	0	0	0	0	0	0	0
<b>TOTAL FUNDS AVAILABLE</b>	<b>370,926</b>	<b>363,335</b>	<b>381,352</b>	<b>381,352</b>	<b>392,049</b>	<b>410,980</b>	<b>409,085</b>	<b>411,620</b>	<b>420,014</b>
<b>EXPENDITURES</b>									
Salaries and Wages	71,601	71,601	74,719	74,719	75,793	76,846	77,874	78,880	82,036
Heat, Light, and Power	12,016	12,016	14,542	14,542	14,945	14,318	14,445	14,550	14,631
Regional Sewage Disposal	33,990	33,990	35,010	35,010	36,060	37,142	38,256	39,404	40,586
Debt Service	141,739	141,739	145,277	145,491	155,680	162,040	160,945	162,718	160,640
Debt Reduction (Paygo)	0	0	7,000	7,000	5,024	5,730	0	0	0
All Other	111,580	111,580	112,904	112,904	117,154	121,547	126,106	130,835	135,741
Additional Operating Reserve Contribution	0	0	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Unspecified Reductions	0	0	0	0	(4,150)	(8,143)	(10,041)	(10,442)	(10,860)
<b>TOTAL USE OF RESOURCES</b>	<b>370,926</b>	<b>370,926</b>	<b>390,952</b>	<b>391,166</b>	<b>402,006</b>	<b>410,980</b>	<b>409,085</b>	<b>417,445</b>	<b>424,274</b>
<b>REVENUE/EXPENDITURE GAP</b>	<b>0</b>	<b>(7,591)</b>	<b>(9,600)</b>	<b>(9,814)</b>	<b>(9,957)</b>	<b>0</b>	<b>0</b>	<b>(5,825)</b>	<b>(4,260)</b>
Debt Service as a Percent of Budget	38.2%	38.2%	37.2%	37.2%	38.7%	39.4%	39.3%	39.0%	37.9%
Estimated Water Production (MGD)	167.0	163.0	167.0	167.0	167.5	168.0	168.5	169.0	169.5
Accumulated Net Revenue	51,282	43,585	25,485	15,671	(810)	(8,040)	(9,540)	(16,865)	(22,625)
5% Reserve (water and sewer revenue)	15,851	15,472	16,001	16,001	16,580	17,179	17,281	17,382	17,777

**Assumptions:**

1. Assumptions are those programmed by WSSC.
2. Unspecified reductions are those required to achieve the estimated rate increase in FY06-FY10.
3. Expenditure gaps in FY05-FY06, and FY09-FY10 are assumed to be closed if rate increases are as estimated.
4. Rate stabilization costs are those costs projected to meet the estimated rate increases.
5. CE recommendations are those specified under expenditures section.

# WSSC ORGANIZATION

## January 2004

